



CHEMONICS INTERNATIONAL INC.

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Investment Advisor Program Promotion Brochure

Final Report

January 31, 2005

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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- Jordan Securities Commission
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- Securities Depository Center
- Brokers
- Financial Analysts

Abstract

The report provides the text used in preparation of a promotional brochure for the Investment Advisor Training and Certification Program. The Investment Advisor Program is sponsored by the Jordan Securities Commission (JSC). It was designed by the National Association of Securities Dealers (NASD) with support from the AMIR Program.

Table of Contents

Executive Summary.....	1
Text of the Investment Advisor Program Promotion Brochure..... (Drafted by Elizabeth Ellis)	3
Text of the Investment Advisor Program Promotion Brochure..... (Approved by the Jordan Securities Commission and the Institute of Banking Studies)	13

Executive Summary

The JSC is implementing a comprehensive capital market reform policy aimed at improving regulation of the securities market and upgrading the skills of capital market participants to international standards. The JSC launched the Brokers Training and Certification program as its first educational initiative for financial professionals. Following on its success, the JSC has created the Investment Advisor Certification Program which is designed to enhance the technical skills of Investment Managers, Investment Trustees and Financial Advisors. Successful completion of this course and the final exam will be required for all professionals wishing to become licensed by the JSC as Investment Managers, Investment Trustees and Financial Advisors.

The investment advisor certification program seeks to raise the professional standards of securities market professionals in Jordan and the surrounding region. The training will:

- provide a comprehensive overview of capital markets and securities professions,
- educate financial securities professionals about recent changes in the Jordan Securities Laws, ethics and investment management;
- clearly define the roles and responsibilities of Investment Managers, Investment Trustees, and Financial Advisors, and
- prepare financial securities professionals to pass the Investment Advisor Certification exam.

This Program and course material was designed with technical assistance from the National Association of Securities Dealers (NASD), U.S.A., with support from the USAID-funded Achievement of Market-Friendly Initiatives and Results (AMIR) Program.

In the near future, the Jordan Securities Commission will require all individuals seeking certification as Investment Managers, Investment Trustees and Financial Advisors to take the Investment Advisor Certification course and pass the certification exam.

Coursework for the investment advisor certification program will consist of discussions, case studies, team presentations, simulations, research and strategy sessions. Instruction will focus on fundamental theory and practical “hands-on” application.

The Course Modules will include:

- Introduction
- Macroeconomics and its links to markets
- Legal/regulatory Framework for Securities Markets
- Tax Considerations
- Fixed Income

- New Instruments
- Mutual Funds
- Fundamental Analysis
- Technical Analysis
- Portfolio Analysis
- Risk Management
- Margin Accounts
- Investment Advisory
- Professional Standards and Ethics
- Overview of International Transactions

This report provides the text to be used in preparation of a promotional brochure for the Investment Advisor Training and Certification Program. The brochure will be used by the JSC to promote the program in Jordan.

Investment Advisor Certification Program Training Partners

Institute of Banking Studies

Since its founding in 1971, the Institute of Banking Studies (IBS) has had a unique role in the development and education of financial professionals throughout Jordan. As the foremost financial training organization in Jordan, IBS offers professionals in the securities and financial services industries a broad range of courses and study materials applicable to all career levels.

IBS develops customized programs that meet the needs of governmental organizations and individual companies, providing them with training programs on a broad range of business and industry topics.

With a great number of practicing professionals to call upon, IBS is uniquely qualified to provide up-to-date, practical information and training. Instructors for its financial programs come from major investment firms, banks, other financial institutions and regulatory organizations.

The state-of-the-art facilities at IBS include comfortable interactive training rooms, computer laboratories, multimedia presentation systems, and an extensive library of financial and business textbooks and current industry periodicals. Conveniently located in the Tla'a Al Ali District of Amman, the IBS attracts students from all surrounding areas.

Jordan Securities Commission

The Jordan Securities Committee (JSC) was established as an autonomous public institution in accordance with the Securities Law No (23) of 1997 to develop, regulate and monitor Jordan's securities market and capital markets institutions. The JSC is in charge of overseeing investor protection and ensuring that investors are provided with the required information to make informed decisions.

The JSC monitors and regulates the Amman Stock Exchange, the Securities Depository Center, financial services companies, public shareholding companies, investment funds and certified financial professionals.

The JSC is implementing a comprehensive capital market reform policy aimed at improving regulation of the securities market and upgrading the skills of capital market participants to international standards. The JSC launched the Brokers Training and Certification program as its first educational initiative for financial professionals. Following on its success, the JSC has created the Investment Advisor Certification Program which is designed to enhance the technical skills of Investment Managers, Investment Trustees and Financial Advisors. Successful completion of this course and the

final exam will be required for all professionals wishing to become licensed by the JSC as Investment Managers, Investment Trustees and Financial Advisors.

Left flap: An Investment Advisor Certification Program

The investment advisor certification program seeks to raise the professional standards of securities market professionals in Jordan and the surrounding region. The training will:

- provide a comprehensive overview of capital markets and securities professions,
- educate financial securities professionals about recent changes in the Jordan Securities Laws, ethics and investment management;
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- prepare financial securities professionals to pass the Investment Advisor Certification exam.

This Program and course material was designed with technical assistance from the National Association of Securities Dealers (NASD), U.S.A., with support from the USAID-funded Achievement of Market-Friendly Initiatives and Results (AMIR) Program.

In the near future, the Jordan Securities Commission will require all individuals seeking certification as Investment Managers, Investment Trustees and Financial Advisors to take the Investment Advisor Certification course and pass the certification exam.

Who should attend?

Individuals seeking a new license from the JSC as an Investment Managers, Investment Trustees and Financial Advisors must take the course. In addition, it is recommended that all financial securities professionals in Jordan and the region that seek to expand their knowledge of international best practices in financial management take this course.

Benefits of the training program:

- solid grounding in investment instruments and analysis
- clear understanding of the Securities Law
- professional certification by the JSC

Training Certification:

Upon successful completion of the Investment Advisor Certification Program, participants will receive a certificate of attendance by the JSC and IBS. Exam results will be provided to the JSC and used by the JSC in the licensing of Investment Managers, Investment Trustees and Financial Advisors together with other licensing criteria, as per

the JSC Bylaws. There will be only one exam that will cover all three licenses. An individual may apply to the JSC for one or all of the licenses.

Costs: See application form

Schedule and registration: See application form.

Left flap B: Jordan Capital Market

In 1976 the Central Bank of Jordan and the International Finance Corporation worked together to create the Amman Financial Market (AFM). In 1997 this structure was altered in accordance with the 1997 Securities Law which called for the AFM to separate into three distinct organizations with the common goal of providing a stable, world class environment for securities transactions. The three organizations established by the 1997 Securities Law are: the Jordan Securities Commission (JSC), the Amman Stock Exchange (ASE) and the Securities Depository Center (SDC).

Since 1999, Jordan has been implementing strong stabilization and structural reform programs with the support of USAID assistance. Jordan is now firmly on the road to reform and economic liberalization. Through the joint efforts of the JSC, ASE and the SDC the Jordan capital market is transforming into a world class market which employs international best practices.

About the organizations:

The JSC has financial and administrative autonomy, and is directly linked to the Prime Minister. This direct connection to the Prime Minister enhances its ability to effectively achieve a transparent securities market and protect shareholders, investors and the public from market irregularities. The JSC monitors and supervises the Amman Stock Exchange, the Securities Depository Center as well as other capital market institutions and participants.

The Amman Stock Exchange (ASE) is a non-profit organization, which represents the formal market for trading securities in the Kingdom.

The Securities Depository Center (SDC) was also established to service its members and other market participants, including members of the ASE and individual and institutional investors, both foreign and domestic, who wish to trade securities in Jordan.

Investment Advisor Certification Program

(Inside flap that folds in from the right) English/Arabic

Coursework for the investment advisor certification program will consist of discussions, case studies, team presentations, simulations, research and strategy sessions. Instruction will focus on fundamental theory and practical “hands-on” application.

Course Modules:

- Introduction
- Macroeconomics and its links to markets
- Legal/regulatory Framework for Securities Markets
- Tax Considerations
- Fixed Income
- New Instruments
- Mutual Funds
- Fundamental Analysis
- Technical Analysis
- Portfolio Analysis
- Risk Management
- Margin Accounts
- Investment Advisory
- Professional Standards and Ethics
- Overview of International Transactions

Pullout A: Modules

- I. Introduction
 - a. Review course objectives
 - b. Review duties and responsibilities for the Investment Managers Financial Advisors, and the Investment Trustees as defined in the securities law and regulations
 - c. Review requirements for these positions/knowledge areas to be mastered
 - d. Introduce Code of Ethics
 - e. Provide overview of current issues related to the Jordanian market
 - f. Discuss key issues facing international markets
- II. Macroeconomics & Capital Markets
 - a. Macroeconomic policy and its impact on capital markets
 - b. Capital markets and their impact on macroeconomics
 - c. Supply and demand
 - d. National income
 - e. Inflation
 - f. Employment
 - g. Business cycles
 - h. Monetary policy
 - i. Fiscal policy
 - j. Exchange rate policy
 - k. Balance of payments
 - l. Role of economic news
 - m. Economic indicators
- III. Legal Regulatory Framework
 - Review key provisions of the following
 - a. Civil code
 - b. Commercial code
 - c. Securities law
 - i. Segregation of client accounts
 - ii. Fraud
 - d. Other relevant financial laws
 - e. Securities regulations
 - i. Record keeping
 - ii. Supervisory procedures
 - f. ASE and SDC rules
- IV. Tax Considerations
 - a. Individual
 - b. Corporate
 - c. Capital gains
 - d. Tax on interest income
 - e. Tax on foreign investment

- V. Fixed Income
 - a. Review types of fixed income securities/markets and characteristics
 - i. Short term/long term
 - ii. Government/corporate
 - iii. Debt vs equity
 - b. Yield
 - c. Fixed income risks (e.g. interest rate, default) and benefits
 - d. Valuing/pricing bonds
 - e. Duration
 - f. Convexity
 - g. Economic factors affecting interest rates
 - h. Bond strategies

- VI. New Instruments
 - a. Derivatives permitted under new law
 - i. Options
 - ii. Forwards
 - b. Other instruments
 - i. Futures
 - ii. Swaps

- VII. Mutual Funds
 - a. Types of mutual funds
 - b. Characteristics
 - c. Benefits
 - d. Structure and operation
 - e. Regulation
 - f. Investment policies
 - g. Prospectuses
 - h. Customer accounts

- VIII. Fundamental Analysis
 - a. Macroeconomic Analysis (brief review)
 - i. Aggregate supply and demand
 - ii. Business cycles and financial markets
 - iii. Economic variables and securities valuation
 - b. Microeconomic analysis
 - i. Industry cost and revenue curves
 - ii. Industry structure
 - iii. Lifecycle of an industry
 - c. Firm Analysis
 - i. Lifecycle of a company
 - ii. Fixed and variable costs
 - iii. Average and marginal costs

- d. Financial Statement Analysis
 - i. Principle financial statements and their key characteristics
 - ii. Revenue recognition principle
 - iii. Non-recurring items
 - iv. Inventory accounting methods
 - v. Capitalizing and expensing
 - vi. Depreciation methods
 - vii. Forecasting financial statements
 - e. Ratio and Financial Analysis Calculations
 - i. Turnover ratios
 - ii. Debt analysis ratios
 - iii. Profitability analyses
 - iv. Basic and diluted earnings per share
 - v. P/E and P/B ratios
 - vi. Other ratios
 - vii. Compare companies using ratio analysis
 - f. Equity Analysis
 - i. Alternative methods for securities valuation
 - ii. Earnings/net revenues/cash flow
 - iii. Asset Pricing Models
 - iv. Capital Asset Pricing Model (CAPM)
 - v. Free Cash Flow to the Firm Model (FCFF)
 - vi. Dividend Discount Model (DDM)
 - vii. Discuss the analysis of a company in terms of characteristics, growth rates, and competitive environment
- IX. Technical Analysis
- a. Definition: chart examination and application of studies of price behavior
 - b. Chart patterns
 - c. Trend analysis
 - d. Chart formations
 - e. Trend continuations
 - f. Price indexes
 - g. Market indexes
 - h. Deviation
 - i. Betas
- X. Portfolio Analysis
- a. Types of portfolios
 - i. Individuals
 - ii. Institutions
 - iii. Discretionary portfolio management
 - b. Portfolio returns
 - i. Valuation techniques
 - ii. Market to market
 - iii. Weighted returns

- iv. Calculating average return of a portfolio
 - v. Annualizing returns
 - c. Portfolio risk
 - i. Diversification
 - ii. Asset allocation
 - iii. Volatility
 - iv. Weight
 - v. Return vs. risk
 - vi. Risk adjusted performance measures
 - d. Portfolio Management Policies
 - i. Aggressive
 - ii. Defensive
 - iii. Balanced
- XI. Risk Management
 - a. Overview of risk management
 - b. Basic principles of statistics
 - c. Correlation
 - d. Volatility
 - e. Value at risk (VAR)
 - f. Value at risk methodologies
 - g. Monte Carlo Simulation
 - h. Practical applications
- XII. Margin Accounts
 - a. Use of margin accounts
 - b. Regulations on margin accounts
 - c. Risks and rewards involved in trading on margin
- XIII. Investment Advisory
 - a. Analyzing clients
 - i. Objectives
 - ii. Current financial status
 - iii. Timeframe
 - iv. Risk tolerance
 - b. Establishing investment policy
 - c. Asset allocation
 - d. Managing client accounts
 - e. Reporting
- XIV. Professional Standards & Ethics
 - a. Know and comply with laws, rules, and regulations
 - b. Responsibilities of supervisors
 - c. Proper dealing with customers
 - i. Sales practices
 - ii. Conflicts of interest

- iii. Disclosure
 - iv. Basis for recommendations
 - v. Appropriateness of recommendations
 - vi. Fiduciary responsibility
 - vii. Confidentiality
 - viii. Misrepresentation
 - d. Market Integrity
 - i. Insider information
 - ii. Fraud
- XV. Overview of International Transactions
 - a. International financial markets
 - b. Regional financial markets
 - c. Cross-border operations
 - d. International clearing and settlement

Pullout B: Application Form

This Will Not Be Printed As Part of Brochure

IBS Comments Needed on Payment Details

Application Form

Name:

Title:

Organization:

Type of organization: ☐ Government ☐ Bank ☐ Insurance
 ☐ Brokerage Company ☐ Other (please specify)

Business address:

Telephone: Fax: E-mail:

Date of birth: (DD/MM/YY) / /

Gender: Male ☐ Female ☐

Higher academic or vocational degree:

Experience in capital market field?

☐ 0 years ☐ 1-2 years ☐ 3-4 years ☐ 5 or more years

Previous training in capital markets? Topic, where, when, duration:

.....
.....
.....
.....

How did you hear about this course?

Please attach your resume.

Please submit payment to: Institute of Banking Studies

Cancellation fees: 50% one month prior, 100% two weeks before

Fax application to: +962 6 553 219 (?)

**Text of the Investment Advisor Program Promotion Brochure
(Approved by the Jordan Securities Commission and the Institute of Banking
Studies)**

**Investment Advisor Training and Certification Program
Training Partners**

Jordan Securities Commission

The Jordan Securities Commission (JSC) was established in 1997 as a public institution with financial and administrative autonomy to develop, regulate and monitor Jordan's capital market so as to maintain a sound investment environment and protect investors. The JSC is also entrusted with developing the capital market in accordance with international standards to secure fairness, safety, and attract domestic and foreign investors.

Since its inception, the JSC has been working on developing and upgrading the regulations governing the capital market and its institutions to ensure higher levels of protection and transparency. It has issued relevant regulations that monitor the activities of financial services companies, enforce disclosure regulations and help investors make informed investment decisions. In order to ensure fairness, sovereignty and proper administration of the rule of law, the JSC continuously enforces the securities Law and its related regulations.

To maintain market integrity, the JSC regulates, monitors and supervises the business operations of the Amman Stock Exchange, the Securities Depository Center, financial services companies, public shareholding companies, investment funds and certified financial professionals. Furthermore, the JSC is committed to securing investor protection and market development and to enforcing disclosure of information regulations pertaining to the securities market.

Institute of Banking Studies

Since its founding in 1971, the Institute of Banking Studies (IBS) has had a unique role in the development and education of financial professionals throughout Jordan. As the foremost financial training organization in Jordan, IBS offers professionals in the securities and financial services industries a broad range of courses and study materials applicable to all career levels.

IBS develops customized programs that meet the needs of governmental organizations and individual companies offering services similar to banks and financial institutions, providing them with training programs on a broad range of business and industry topics.

With a great number of practicing professionals to call upon, IBS is uniquely qualified to provide up-to-date, practical information and training. Instructors for its financial programs come from major investment firms, banks, other financial institutions and regulatory organizations.

The state-of-the-art facilities at IBS provide comfortable interactive training rooms, computer laboratories, multimedia presentation systems, a mock dealing room, and an extensive library of financial and business textbooks and current industry periodicals. Conveniently located in the Tla'a Al Ali District of Amman, the IBS attracts students from all surrounding areas.

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- Educate financial securities professionals about recent changes in the Jordan Securities Laws, ethics and investment management;
- Clearly define the roles and responsibilities of Investment Managers, Investment Trustees, and Financial Advisors, and
- Prepare financial securities professionals to pass the Investment Advisor Certification exam.

This program and course material , which is taught in the English language, was designed with technical assistance from the National Association of Securities Dealers (NASD), U.S.A., with support from the USAID-funded Achievement of Market-Friendly Initiatives and Results (AMIR) Program. The capital market institutions in Jordan also reviewed and approved the contents of the program and course materials.

The Jordan Securities Commission requires all individuals seeking certification as Investment Managers, Investment Trustees and Financial Advisors to take the Investment Advisor Training and Certification Program and pass the certification exam.

Who should attend?

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Costs: The current fee for the program is JD 750. This amount will cover the costs of the program materials and exam fees, as well as all the coffee breaks for the program period.

Schedule and registration: The program will be run five times a week after formal working hours. To register for the program please fill in enclosed registration form and send it to:

The Institute of Banking Studies
P.O.Box 1378 Amman 11953, Jordan
Fax: 962 6 5532199
Email: generaldirector@ibs.edu.jo

For more information please contact IBS at tel.: 962 6 5536395

Left flap B: Jordan Capital Market

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Investment Advisor Training and Certification Program

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Coursework will consist of discussions, case studies, team presentations, simulations, research and strategy sessions. Instruction will focus on fundamental theory and practical “hands-on” application.

Course Modules:

- Legal and Regulatory Framework
- Professional Standards and Ethics
- Quantitative Tools
- Economics and its Links to Capital Markets
- Fundamental Analysis
- Equity Analysis
- Investment Companies
- Margin Accounts
- Fixed Income
- New Products
- Technical Analysis
- Portfolio Management
- Taxes Levied on Investment Instruments in Jordan
- Investment Advisory
- International Transactions

INVESTMENT ADVISOR TRAINING AND CERTIFICATION PROGRAM

1. Legal and Regulatory Framework

- a. Investment Advisory: Role and Responsibilities
- b. Registration and Procedures
- c. Investment Advisory and Funds
- d. Prohibited Actions
- e. Disciplinary Procedures and Sanctions

2. Professional Standards and Ethics

- a. Professional Standards
- b. Know and Comply with Laws, Rules, and Regulations
- c. Fiduciary Duties to Customers
- d. Interactions with Clients and Prospects
- e. Relationships with, Responsibilities to, Employers and Professions

3. Quantitative Tools

- a. Present and Future Value of an Annuity
- b. Stated Annual Rate (SAR) and Effective Annual Rate (EAR)
- c. The Process of Assessing Risk
- d. Portfolio Return as a Weighted Mean
- e. Variance and Standard Deviation
- f. Distributions and Probability Distributions
- g. Key Properties of the Normal Distribution
- h. Confidence Intervals for a Normally Distributed Random Variable
- i. Covariance and Correlation
- j. Expected Return and Variance for Return on a Portfolio
- k. Linear Regression
- l. Coefficient of Determination
- m. Limitations of Regression Analysis
- n. Hypothesis Testing

4. Economics and its Links to Capital Markets

- a. Microeconomic Principles
 - 1. Market Supply and Demand
 - 2. Microeconomics and the Foreign Exchange Market

5. Fundamental Analysis

- a. Corporate Finance
- b. The Basics of Capital Budgeting
- c. Capital Structure and Leverage
- d. Dividends Policy

6. Equity Analysis

- a. Top-Down Approach to Equity Analysis
- b. Industry and Company Analysis
- c. Dividend Discount Model (DDM)
- d. Free Cash Flow Valuation
- e. Introduction to Price Multiples
- f. Stock Market Series Analysis
- g. Closely Held Companies

7. Investment Companies

- a. Investment Companies
- b. Advantages and Disadvantages of Investing in Mutual Funds
- c. The Information Memorandum
- d. Calculating Net Asset Value (NAV)
- e. Investment Objectives
- f. Mutual Fund, Buying and Selling (Redeeming) Mutual Fund Units
- g. Fees and Expenses, Trustee's Fee
- h. How Mutual Funds Report Their Activities

8. Margin Accounts

- a. The Importance of Margin Regulations
- b. The Cash Account vs. the Margin Account
- c. The Advantages and Disadvantages of Trading on Margin
- d. How a Margin Account is Established
- e. Calculating Equity
- f. How a Margin Account is Affected When Securities Changes in Value
- g. How Maintenance Calls May Be Met
- h. Bond Accounts

9. Fixed Income

- a. Basics of Fixed Income Securities
- b. Accrued Interest
- c. Fixed Income Risk and Return

11. Technical Analysis

- a. Chart and Trading Basics
- b. Volume Patterns
- c. Dow Theory Trends
- d. Trend Direction
- e. Chart Patterns: Support and Resistance
- f. Trading Ranges
- g. Moving Averages
- h. Stochastic Oscillator
- i. Momentum Indicators
- j. Moving Average Convergence Divergence (MACD)

12. Portfolio Management

- a. The Investment Setting
- b. Required Rate of Return and its Components
- c. The Security Market Line (SML)
- d. Introduction to Portfolio Management
- e. Risk
- f. Variance and Standard Deviation for an Individual Investment
- g. Expected Return for an Individual Investment in a Portfolio
- h. Portfolio Standard Deviation and Adding an Investment to a Portfolio
- i. The Efficient Frontier
- j. Optimal Portfolio
- k. Market Portfolio and the Formation of the Capital Market Line (CML)

13. Taxes Levied on Investment Instruments in Jordan

- a. Jordanian Tax Legislation and Tax Rates
- b. Tax Treatment of Foreign Investments, Dealings in Securities and Proprietorship
- c. Tax Treatment of Fixed Returns Securities
- d. Tax Treatment of Investment Companies Shares and Bonds

14. Investment Advisory

- a. What is Investment Advisory?
- b. Why is Investment Advisory Crucial?
- c. Types of Investments

- 3. Costs and Supply of Goods
- b. Macroeconomic Theory
 - 1. Assessing a Nation's "Economic Pulse"
 - 2. Basic Aggregate Demand / Aggregate Supply Model
 - 3. Economic Patterns, Unemployment, and Inflation
 - 4. The Basic Economic Model
 - 5. Fiscal and Monetary Policies
 - 6. Money and the Banking System
 - 7. Economic Indicators
 - 8. The Balance of Payments

- d. Money Market Instruments
- e. Yields and Duration

10. New Products

- a. Forwards and Futures
- b. Forward Rate Agreements
- c. Foreign Exchange (FX)
- d. Options (Call and Put)
- e. Risks
- f. Option Pricing and Applications
- g. Combining the Positions
- h. Hedging
- i. Swaps and Futures

- d. Stocks
- e. Fixed Income
- f. Mutual Funds
- g. Analyzing the Client
- h. Matching Investments with Clients
- i. Asset Allocation
- j. Managing Client Accounts

15. International Transactions

- a. The International Financial Markets
- b. The Regional Financial Markets
- c. Cross-Border Operations
- d. International Clearing and Settlement